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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5002
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 1084
RUEHBY/AMEMBASSY CANBERRA 9853
RUEHKA/AMEMBASSY DHAKA 4296
RUEHLO/AMEMBASSY LONDON 1759
RUEHNE/AMEMBASSY NEW DELHI 3487
RUEHUL/AMEMBASSY SEOUL 6950
RUEHTC/AMEMBASSY THE HAGUE 0541
RUEHKO/AMEMBASSY TOKYO 4568
RUEHCI/AMCONSUL CALCUTTA 0873
RUEHCN/AMCONSUL CHENGDU 0876
RUDKIA/AMCONSUL CHIANG MAI 0589
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 2822
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 0469
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 001216

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STATE FOR EAP/MLS; PACOM FOR FPA, TREASURY FOR OASIA:AJEWELL

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TAGS: [EAGR](#) [ECON](#) [PGOV](#) [BM](#)

SUBJECT: LOOKING FOR RICE IN BURMA

REF: A. RANGOON 456

[1](#)B. RANGOON 312

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Classified By: Econoff TLManlowe for Reason 1.4 (b,d).

[1](#)1. (SBU) Summary: The GOB closely monitors rising rice prices to avoid social unrest if Rangoon residents can't find, or can't afford, enough rice - Burma's staple food. Recent official efforts to control rice prices include a virtual ban on rice exports from May through July of this year and the August arrests of rice wholesalers accused of speculation. In May, Rangoon's mayor ordered a price freeze and banned the transport of rice out of the city. Government-backed traders opened temporary shops selling rice at rates one third lower than those in Rangoon's retail outlets, with little effect on the overall price. Rather than reassuring consumers, the government's strict measures and tight controls on transport, together with poor storage infrastructure and widespread expectations of further inflation, stimulate continued hoarding and inflationary pressures. End summary.

Price of Rice Boiling Over

[1](#)2. (SBU) Rice prices climbed steadily in 2006 for all grades of rice sold in Burma. July 2006 rice prices are 61% higher than January's prices for superior quality rice and 142% higher for inferior quality. Much of the increase (25% for superior quality; 59% for inferior grade rice) has occurred just since May. Brigadier General Aung Thein Lin, Rangoon Mayor and Chairman of the Division Committee for Stabilizing Commodity Prices, ordered a freeze on rice prices in May and banned the transport of rice out of Rangoon in an effort to keep prices down and stocks up in Burma's largest city. In contrast to this year's sharp increase, rice prices in Burma traditionally rise only 5 to 10% in the July and August late monsoon season as farmers use their remaining stocks to pay

and feed laborers who plant the main growing season's crop. Farmers tell us that they have not benefited from the increases, since millers bought paddy rice from them at lower prices before the recent hikes.

¶3. (C) In the first week of August, police detained rice sellers at Bayintnaung, Rangoon's main wholesale commodity market, and closed their warehouses and shops. According to rice traders, GOB officials suspect speculators of hoarding rice to sell when the market price peaks. Our sources told us that police found a large stockpile of unmilled paddy rice on the premises of at least one detainee, a prominent businessman not in the rice trading business. In reaction to the arrests, and under official pressure to lower prices, other traders temporarily closed their outlets at Bayintnaung.

¶4. (SBU) In another measure to reduce the impact of higher rice prices, the Myanmar Rice and Paddy Traders Association (MRPTA) opened temporary shops throughout Rangoon, selling rice at a rate 17% cheaper than prevailing prices. The majority of rice offered for sale at the MRPTA stalls is of inferior quality. These sales had little effect on the market price, as many poor Burmese bought their authorized ration of MRPTA rice at the controlled price and then resold it to retailers in order to buy other staple foods.

Enough Rice, Just Not Here

¶5. (SBU) According to our agricultural and commercial contacts, the supply of rice in the country is adequate for demand, but many consumers do not have easy access to the supply due to hoarding, poor infrastructure, and government controls. In addition to speculators hoarding for profit, the huge increase in civil service salaries in April (ref A)

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prompted many consumers to stock up on essential items, including rice, in anticipation of further inflation. Contacts tell us that friends and relatives bought five times the normal amounts of rice, oil and candles as prices climbed. Some used the extra stocks to feed their families, but others sell their reserves to profit from higher prices.

¶6. (SBU) Government controls on the domestic transport of rice also contributed to price increases. In addition to new restrictions imposed in Rangoon and Irrawaddy Divisions in May, officials have enforced more strictly the existing controls on the transport of rice by Rohingyas in Northern Rakhine State. In April, the military also tightened controls on the movement of rice to Karen State and to Mandalay and Tanintharyi Divisions in an attempt to disrupt food supplies to Karen insurgents fighting in the border areas. Sources reported serious rice shortages this year in some regions of Tanintharyi, Rakhine and Magwe Divisions and Karen State, due to both new government controls and those regions' poverty.

¶7. (SBU) Other factors contributed to this year's price increases. Since many farmers do not have adequate storage and drying facilities, unseasonal rains in December 2005 and June 2006 damaged rice crops and reduced supply. Ongoing macroeconomic problems (ref B) are also major factors in the supply woes, particularly minimal new investment, lack of quality fertilizer and seed stock, poorly maintained irrigation facilities, and deteriorating roads and vehicles used to transport rice to markets.

¶8. (C) Rice also figures in Burma's options for arms deals. Industry contacts told us in confidence that a GOB offer to exchange rice for Russian weapons was outlined in a MOU signed by Vice Senior General Maung Aye during his April trip to Russia. Our contacts said that the Russians refused to accept the deal in August, but that the Burmese military had already stockpiled one million MT of rice in anticipation of the deal.

More Rice Coming Soon

¶9. (SBU) The GOB banned all rice exports in May and July 2006, and only allowed 235 metric tons (MT) out of the country in June 2006. During the first eight months of 2006, Burma exported 46,372 MT, compared with 105,211 MT over the same time period in 2005. The official target for rice exports at the start of FY 2006-07 (April 2006-March 2007) was 300,000 MT. The GOB has not announced a revised target amount. Traders anticipate that the export ban will continue through at least mid or late September, when farmers will harvest the monsoon paddy crop and supply will increase again. Ministry of Agriculture and Irrigation officials claim that farmers planted an additional one million acres of rice this monsoon season to take advantage of the higher prices. Nonsense, our sources say, pointing out that it is impossible to convert this amount of acreage to paddy fields in such a short period.

¶10. (SBU) Comment: Burma was once the rice bowl of Southeast Asia. Years of official controls and economic mismanagement have skewed the market, but farmers can still produce enough rice to meet domestic demand. The military's rice stockpiling and regime restrictions of the free flow of rice trade around the country create spot shortages in many areas. As the rate of inflation continues to rise, consumers, traders and speculators use their kyat to buy both essentials and items they can resell when prices increase. Higher prices may provide incentives for farmers to plant more paddy this year, but unpredictable government controls make millers and traders unsure of their ability to sell at higher prices,

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and therefore leery of buying large stocks. The regime fears social unrest if the majority of citizens cannot afford their daily staple food, but their recent interventions in the market create more uncertainty and inflationary pressure. The monsoon harvest should help bring the situation back into better balance, but public concern will continue to grow in tandem with the price of rice in Burma. End comment.
STOLTZ